

MINUTES

MONTANA HOUSE OF REPRESENTATIVES 57th LEGISLATURE - REGULAR SESSION COMMITTEE ON TAXATION

Call to Order: By **CHAIRMAN BOB STORY**, on February 1, 2001 at 8:00 A.M., in Room 472 Capitol.

ROLL CALL

Members Present:

Rep. Bob Story, Chairman (R)
Rep. Roger Somerville, Vice Chairman (R)
Rep. Joan Andersen (R)
Rep. Keith Bales (R)
Rep. Gary Branae (D)
Rep. Eileen Carney (D)
Rep. Larry Cyr (D)
Rep. Rick Dale (R)
Rep. Ronald Devlin (R)
Rep. John Esp (R)
Rep. Daniel Fuchs (R)
Rep. Verdell Jackson (R)
Rep. Jesse Laslovich (D)
Rep. Trudi Schmidt (D)
Rep. Butch Waddill (R)
Rep. Karl Waitschies (R)
Rep. David Wanzenried (D)

Members Excused: Rep. Ron Erickson, Vice Chairman (D)
Rep. Joe Balyeat (R)
Rep. Gary Forrester (D)

Members Absent: None.

Staff Present: Jeff Martin, Legislative Branch
Rhonda Van Meter, Committee Secretary

Please Note: These are summary minutes. Testimony and discussion are paraphrased and condensed.

Committee Business Summary:

Hearing(s) & Date(s) Posted: HJ 12, 1/30/2001; HB 415,
1/30/2001
Executive Action: HB 362

HEARING ON HJ 12

Sponsor: REPRESENTATIVE CHRISTOPHER HARRIS, HD 30, Bozeman

Proponents: Sami Butler, Montana Nurses Association
Erin McGowan, American Cancer Society
Kristi Blazer, Rimrock, CCS, MASP
Representative Carol Juneau
Jeanne Cannon, Helena Health Alliance
Steve Wade, Phillip Morris
Aidan Myhre, Montana Comprehensive Health Care
Association
Jani McCall, Deaconess Billings Clinic
Tom Ebzery, St. Vincent Healthcare, St. James
Healthcare, & Holy Rosary Healthcare
John Flink, Montana Hospital Association
Cliff Christian, American Heart Association
Steve Yeakel, MCMCH
Joe Mazurek

Opponents: None.

Opening Statement by Sponsor:

{Tape : 1; Side : A; Approx. Time Counter : 2.6}

REP. HARRIS said the voters in November decided to place 40% of the proceeds from the tobacco settlement into a trust fund to spend on health care. The purpose of the tobacco settlement money was for tobacco prevention and health care needs. Putting this money into a trust fund means the money will be available for future generations. The Federal government relinquished their share of the settlement to the states with the understanding it would be spent on health care. If the money is not spent in this way, the Federal government might possibly take it back, and this is a concern. Under this resolution, the remaining 60% would not go into the trust fund until 2003, because it was recognized that there are some immediate budget needs that Montana faces.

Proponents' Testimony:

{Tape : 1; Side : A; Approx. Time Counter : 7.8}

REP. CAROL JUNEAU encouraged the committee to review the Youth at Risk Survey developed by the Department of Health & Human Services, as this shows the continuing use of tobacco in youth. Cancer incidents are growing and it is costly in terms of health

care. She would encourage a strong program of prevention. **REP. SOMERVILLE** asked if on the reservations all enrolled Native Americans have their health care paid for by the Bureau of Indian Affairs and if Montana's program would be in addition to this. **REP. JUNEAU** said the program that provides certain levels of health care on reservations is Indian Health Service. Some of the reservations have hospitals and clinics. A lot of the health care needs are contracted out. There was a percentage of the funds set aside for tobacco prevention that do go to the reservation communities for tobacco prevention programs. The reservations share in the use of tobacco at a high rate, and there is a need for these services. **REP. SOMERVILLE** asked if the anti-smoking campaign is working well within the representative's community. **REP. JUNEAU** said she is not certain of the impacts, as it is relatively new. There is a really high need for tobacco prevention activities among their youth.

John Flink, Montana Hospital Association, said the tobacco settlement offers an opportunity to invest in the health care infrastructure of the state. Montana's population is aging and requiring more health care services. It is important to develop tobacco prevention programs in order to prevent costly illnesses that have occurred as a result of tobacco use.

Tom Ebzery, St. Vincent Healthcare, St. James Healthcare, & Holy Rosary Healthcare, said this resolution is a good way of addressing the other 60% of the settlement money. They share concerns with the Montana Hospital Association about how the trust would work. It would be a good idea to take some of the money and apply it toward Medicaid returns.

Cliff Christian, American Heart Association, said if the budget in Montana is passed, there will be a reduction in the tobacco prevention and education budget from \$7 million to \$1 million. He read from a statement from Senator John McCain.

EXHIBIT (tah26a01) They have a concern about 100% of the monies going into health care.

Jani McCall, Billings Deaconess Clinic, said they support any activities that move toward reduction in tobacco use and prevention in Montana. They have a concern about putting all of the money into a trust fund at this point.

Sami Butler, Montana Nurses Association, said nurses strongly believe 100% of the tobacco settlement money should go to health care. The surveys they have seen show the number one issue for Montanans is health care, and this resolution supports this. They agree with the Medicaid match that has been mentioned.

Aidan Myhre, Montana Comprehensive Health Care Association, explained the plans provided by the association. The plans are growing, and this is partly due to the direct correlation between tobacco related diseases and people who end up on the plan. There are tremendous needs related to health care that these settlement dollars can go toward.

Erin McGowan, American Cancer Society, said they support directing 100% of the settlement funds to health care; however, they are concerned about dedicating 100% to a trust fund.

Steve Yeakel, Montana Council for Maternal & Child Health, encouraged the committee to think about the community needs of health care when considering the tobacco settlement monies.

Steve Wade, Phillip Morris, said this resolution is consistent with the settlement agreement. They urge Montana to determine what programs are effective in preventing youth smoking and to allocate as much of the settlement money to these programs as possible.

Jeanne Cannon, Helena Health Alliance, said they support other testimony and suggest all of the tobacco trust money be put into health care related programs with an emphasis on tobacco use prevention programs.

Kristi Blazer, several health care providers, said tobacco caused health care problems and the monies received should be used toward health care.

Joe Mazurek turned in a witness statement. **EXHIBIT(tah26a02)**

Opponents' Testimony: None.

Questions from Committee Members and Responses:

{Tape : 1; Side : B; Approx. Time Counter : 0.7}

REP. SOMERVILLE asked if education works to prevent people from smoking. **John Flink** said the state's prevention program has only been in operation for a couple of years. **Cliff Christian** said the programs work. Other states have excellent results from their tobacco prevention and education programs. Missoula has instituted a smoking ban in public places and a prevention and education program, and this has produced amazing results, especially in youth. **REP. SOMERVILLE** asked for results of the surveys, as he has not seen a decline in smoking and it even seems to be increasing. **Cliff Christian** said the program just started 15 months ago, and it will take time to implement before

results are seen. Hopefully in two years there will be some wonderful statistics. **REP. SOMERVILLE** asked what is being done differently now, as he has seen tobacco prevention programs since he was young. **Cliff Christian** said single source anti-tobacco campaigns do not work. If only one age group of people are targeted, the program does not work. It has to be a comprehensive program that touches parents, children, and public in general.

REP. JACKSON asked what is different about the new program than the D.A.R.E. program. **Cliff Christian** said D.A.R.E. is not a comprehensive program. It is a single source program aimed at children, and it does not work. **REP. JACKSON** asked if the trust is going to be broad in terms of how the money is spent. **REP. HARRIS** said the amount of money generated from the tobacco settlement over the 25 years is approximately \$970 million. This total amount is certainly not going to be spent on smoking prevention. The trust fund is broadly set up for the health care needs of Montanans. This resolution simply mentions a number of the urgent health care needs Montana has right now. There is going to be many competing urgent needs for which money is required, and it is up to the trustees to make those decisions. There has been some discussion about using some of this money for Medicaid match, and this is an excellent idea. The purpose of the resolution is to say we should devote this money to the health care needs of Montana for the long term. **REP. JACKSON** asked if it will be hard to get the money to be used for the broader purposes such as mental health and Medicaid. **REP. HARRIS** said the voters have set up this trust, and it will be the trustees' obligation to deal with the competing demands. This resolution just says that instead of putting all of the money into the general fund we should put it into a trust for a long-term investment in health care.

REP. BALLYEAT asked if the money in this trust will only be spent if a super majority of legislators vote for it. **REP. HARRIS** said it is the principal that could be spent with a super majority. **REP. BALLYEAT** asked who will be making the decisions about what the interest revenue is spent on. **REP. HARRIS** said the trustees would be making the decisions or the recommendations. **REP. BALLYEAT** asked if the sponsor would endorse spending the money on something that would not grow government. **REP. HARRIS** said he is open to any ideas regardless of which side of the aisle they come from. This is not government money but money paid by the tobacco industry in compensation for years of smoking and the health consequences. How this money will be spent is a future issue. **REP. BALLYEAT** asked if the sponsor is aware of what super majority is required to spend the money once it is put into the trust. **REP. HARRIS** said it is a 2/3 vote. **REP. BALLYEAT** asked when was

the last time this legislature arrived at a 2/3 consensus. **REP. HARRIS** said he had a bill the other day that passed 20 to zero.

REP. ESP asked if this resolution is proposing to take 100% of the tobacco settlement money and put it into the trust fund.

REP. HARRIS said yes starting in 2003. **REP. ESP** asked how the sponsor would address the concerns in testimony about doing this.

REP. HARRIS said they are legitimate concerns. It is the need to make a long-term investment versus the immediate needs of health care issues. The legislature needs to consider these immediate needs, such as the Medicaid match. **REP. ESP** asked if the sponsor would agree that as written this is not a wise resolution. **REP. HARRIS** said it is a very wise resolution, but there could be some tinkering done to make some better decisions.

REP. SCHMIDT asked for clarification regarding some of the previous questions. **John Flink** said the tobacco settlement trust fund created by the voters in November dedicates 40% of the proceeds each year to the trust fund. It requires a 2/3 vote of each house of the legislature to spend the principal. The interest earned on the trust goes into the general appropriations process. The only stipulation is that this money needs to be spent on health care programs not in existence prior to 12/31/99. The view of the authors of the initiative was to use the money for tobacco disease prevention and other health care programs that would increase the number of Montanans who are covered by insurance, but no specific programs were pointed out to be funded. This is a decision that belongs to the legislature.

REP. WADDILL read part of Exhibit 1 and asked if there could be language added to the bill to specifically address tobacco prevention. **REP. HARRIS** said this would be a useful amendment.

REP. CARNEY asked why addiction to tobacco is difficult to break and why it is naive to assume progress could be seen in just one year. **Cliff Christian** said tobacco addiction is harder to break than a heroine addiction. This is why the prevention programs to keep someone from starting to smoke are important.

CHAIRMAN STORY asked if a table could be provided showing the growth of the present trust and the interest revenue versus what would happen under this resolution proposal. **REP. HARRIS** said he would launch the research and get this information to the committee as soon as it is available.

REP. SOMERVILLE asked if a statement could be added to the bill saying health care of elderly patients who have smoked would be covered, as well as including insurance costs. He also had a concern that Indian reservations were in the bill when they

already receive funding. **REP. HARRIS** said these suggestions are worthwhile. The Indian reservations are included because the health care needs on these reservations are high and the amount they get already is not adequate.

REP. ANDERSEN asked what the Medicaid match is currently in Montana. **John Flink** said it is 70/30, so for every dollar the Federal government pays \$.70 and Montana's general fund pays \$.30. The children's health insurance program has an 80/20 match. **REP. ANDERSEN** asked what the state paid last year for Medicaid match. **John Flink** said he did not know. **REP. ANDERSEN** asked if that information could be provided.

REP. WAITSCHIES asked if prevention education works why is long-term care needed. **Cliff Christian** said this is a long-term problem, and the education is needed to get children to stop smoking. Long-term we need to take care of the individuals who have the disease and addiction now. **REP. WAITSCHIES** asked what percentage should be given to prevention. **Cliff Christian** said most groups are recommending that tobacco prevention education \$9 million of the \$60 million coming in biannually. Currently the budget is \$7 million and is being proposed to cut down to \$1 million.

REP. ESP asked if there are any graphs showing the relationship between the money spent on prevention programs and the decline in kids starting to smoke. **Cliff Christian** said not for Montana because the program is too new. In California, since they raised the cigarette tax to attack prevention and education, cigarette consumption has declined by 38% compared to 16% in the rest of the country. In Massachusetts between 1995 and 1999, current smoking in high school students had been reduced by 15%. **REP. ESP** asked if there are any graphs to show the age groups of decline. **Cliff Christian** said he would get the answer. **REP. ESP** asked if graphs could be provided that show the relationship between money spent and decline in smoking.

REP. ERICKSON asked if it needed to get a 2/3 majority vote to use some of the principal in order to fund the prevention programs since the interest might not cover that cost. **REP. HARRIS** said his policy recommendation is to take the 60% that could be used in the general fund and put it into the trust fund so it will generate enough revenue. Then the hard choices of how this will be spent can come.

REP. SCHMIDT asked for an expansion on the question from Rep. Erickson. **John Flink** said the intent of the group that formed the initiative was to have money in the trust fund earning income

so that long after the settlement dollars have run out there is still a stable source of income being generated for health care purposes. In the first few years there will not be a lot of interest income from that trust fund. **REP. SCHMIDT** asked if the reason there are no results from the tobacco prevention program is because they have only been operating for approximately 10 months. **John Flink** said that is accurate. It is too early to have the data to evaluate the program.

Closing by Sponsor:

{Tape : 2; Side : A; Approx. Time Counter : 10.5}

REP. HARRIS said there have been many good suggestions to help improve this resolution from the committee.

HEARING ON HB 415

Sponsor: **REP. ROGER SOMERVILLE, HD 78, Kalispell**

Opening Statement by Sponsor:

{Tape : 2; Side : A; Approx. Time Counter : 12.3}

REP. SOMERVILLE said this bill could have some impact on the construction monies for all highway projects in Montana and the ethanol plant construction in Great Falls. There was some data that was supposed to be presented for the hearing, but this was not made available; therefore, he talked to all parties concerned and agreed they would like to postpone the hearing. Years ago a program was put together to offer an incentive for industry to construct an ethanol plant in Montana. The program is funded from the Highway Special Revenue Account, and this bill would change the money coming from the Highway Special Revenue Account to the general fund. Currently there is no one taking advantage of this program, but if the Great Falls ethanol plant becomes operational, they will be able to use it in approximately 2003. This program pays back an incentive on the number of gallons produced per year up to \$3 million. The Highway Special Revenue Account cannot fund this at this time.

EXECUTIVE ACTION ON HB 362

{Tape : 2; Side : A; Approx. Time Counter : 21.6}

Motion: **REP. SOMERVILLE** moved that **HB 362 DO PASS.**

Discussion: REP. ERICKSON said he wants to support this but has a concern that there are impacts on local government. This is a chemical plant that involves materials that are flammable and toxic, so there might be some extra costs to the community to do this. REP. CARNEY said there will be additional tax revenue because the land and buildings will be taxed. REP. BALES said there was testimony that there will be considerable additional tax revenue generated for the county due to the improvements placed on the land. This will only exempt the plant from the business equipment tax. He is in favor of the bill, as it is a win-win situation for everyone, including the grain farmers. The feed bi-product will benefit the cattle producers and might jump start the cattle feeding industry in Montana. REP. ESP asked what the approximately \$10 million buildings will generate in tax revenue for the county. CHAIRMAN STORY said it would approximately \$140,000, plus they will be paying water and sewer fees. REP. WADDILL said he is in strong support of this bill. Montana is currently the only state in the area that does not have an ethanol plant. This will help the economy and the wheat farmers. It will provide a source of fuel that will not be dependent on petroleum reserves.

Motion/Vote: REP. SOMERVILLE moved that HB 362 DO PASS. Motion passed 20-0.

ADJOURNMENT

Adjournment: 9:44 A.M.

REP. BOB STORY, Chairman

RHONDA VAN METER, Secretary

BS/RV

EXHIBIT (tah26aad)